

Message Text

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ACTION NEA-10

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NSAE-00 SIL-01 DODE-00 PM-05 H-01 L-03 NSC-05
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E.O. 11652: GDS
TAGS: EINV, ELAB, ENRG, PORS, LY
SUBJECT: MINORITY SUBSIDIARIES OF AMERICAN COMPANIES TAKEN OVER BY
WORKERS.

SUMMARY: AS RESULT OF QADHAFI'S REPEATED URGING OF WORKERS
TO SEIZE CONTROL OF ENTERPRISES, A FIRM OWNED 49 PERCENT BY
DRESSER INDUSTRIES WAS TAKEN OVER BY WORKER COMMITTEE ON SEP-
TEMBER 6. ANOTHER COMPANY WITH AMERICAN PARTICIPATION, BAROID OF
LIBYA, 49 PERCENT OWNED BY NATIONAL LEAD COMPANY, HAS BEEN TAKEN
OVER BY A LABOR UNION GROUP BUT DETAILS ARE NOT IMMEDIATELY AVAILABLE.
THESE ARE FIRST SEIZURES OF AMERICAN PROPERTY WE HAVE HEARD
OF IN THE "PARTNERS, NOT HIRED HANDS" DRIVE AND SIGNIFICANCE
OF MOVE IS UNCLEAR AT THE MOMENT. LOCAL MANAGEMENT IS PRO-
CEEDING CAUTIOUSLY AND AWAITING ADVICE FROM HOME OFFICES.
END SUMMARY.

1. COL. QADHAFI'S EXTRAORDINARY EXHORTATIONS TO THE
LIBYAN WORKERS TO MARCH FORTH AND SEIZE CONTROL OF FACTORIES
AND ENTERPRISES (MOST OF THEM STATE-OWNED) IN ORDER TO TURN
THEMSELVES INTO PARTNERS, NOT HIRED HANDS, HAS CAUSED THE TAKEOVER
OF A MINORITY-OWNED AMERICAN FIRM. ACTING MANAGER OF
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MAGCOBAR (LIBYA) LTD., R.E. LEIGH, INFORMS US THAT COMPANY'S
WORKERS SEIZED CONTROL OF THE FIRM, WHICH IS OWNED 49 PERCENT
BY DRESSER INDUSTRIES, 16 PERCENT BY LIBYAN GOVERNMENT, AND
35 PERCENT BY LIBYAN PRIVATE INTERESTS, ON SEPTEMBER 6. WORKERS
GROUP SEIZED WAREHOUSE AT TRIPOLI AND EXCLUDED MANAGEMENT FOR
SEVERAL HOURS, BUT MANAGEMENT SOON REGAINED ACCESS
WITHOUT RESORT TO POLICE. EVENING OF SEPTEMBER 6 A

GROUP OF ACTIVIST WORKERS FROM TRIPOLI WENT TO BENGHAZI WHERE MAGCOBAR HAS LARGER FACILITIES INCLUDING MUD PLANT AND SUCCESSFULLY AGITATED WORKERS INTO JOINING THE SEIZURE.

THERE WAS NO VIOLENCE IN EITHER LOCATION.

2. NEW TEN-MEMBER WORKER CONTROL COMMITTEE ADVISED LEIGH THAT HE MAY BE MANAGER BUT THAT PRESENT MANAGER WHO IS ABROAD SHOULD NOT RETURN. SOME OTHER EXPATRIATES WERE DECLARED UNACCEPTABLE AND THEIR FUTURE IS UNCERTAIN. MANAGEMENT HAS BEEN INFORMED THAT EXPATRIATE TECHNICAL PEOPLE MAY CONTINUE TO CARRY ON COMPANY OPERATIONS BUT COMMITTEE WANTS CONTROL OF FINANCES AND IS LOOKING FOR A LIBYAN TO INSTALL AS COMPTROLLER.

MANAGEMENT HAS FOUND THAT ITS BANK ACCOUNT HAS BEEN FROZEN ON AUTHORITY OF UNKNOWN PARTY WHO BROUGHT BANK A LETTER ON COMPANY STATIONARY. ACCOUNT WILL APPARENTLY BE FREED WHEN NEW COMMITTEE APPOINTS SOMEONE TO CONTROL IT. ONE OF COMMITTEE'S DEMANDS IS FOR AN ACCOUNTANT'S CERTIFICATION OF DRESSER'S SHARE OF OWNERSHIP OF MAGCOBAR WITH APPARENT VIEW TO EVENTUAL COMPENSATION.

3. LOCAL MANAGEMENT HAS INFORMED DRESSER'S LONDON AND HOUSTON OFFICES OF EVENTS, IS AWAITING INSTRUCTIONS AND LOOKING FOR A LAWYER. MAGCOBAR'S FIGUREHEAD LIBYAN MANAGER, WHO MIGHT BE EXPECTED TO BE USEFUL IN SITUATION, IS ABROAD AND HAS NOT BEEN LOCATED. COMMITTEE HAS ALSO DECLARED HIM OUSTED FROM OFFICE.

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IN RESPONSE TO MAGCOBAR'S REQUEST FOR EMBASSY ASSESSMENT OF LEGALITY OF THESE EVENTS, WE HAVE POINTED TO ANARCHIC ELEMENTS OF SITUATION WHERE HEAD OF GOVERNMENT REPEATEDLY DECLARES THERE IS NO GOVERNMENT AND URGES WORKERS INTO ACTIONS WHICH SO FAR AS WE KNOW ARE NOT YET SANCTIONED BY LAW OR DECREE. WE HAVE CONSELED MANAGEMENT TO GROPE ITS WAY THROUGH SITUATION AS IT DEVELOPES AND TO TRY TO CONTACT SECRETARY OF PETROLEUM TO ADVISE HIM OF THESE EVENTS, ALTHOUGH POSSIBILITY OF THEIR GETTING ACCESS TO SECRETARY IS NOT GOOD. (PETROLEUM INDUSTRY APPEARS TO HAVE ASSUMED THAT IT WOULD BE EXEMPTED FROM THESE EXPERIMENTS, AND SOME AMERICAN MANAGERS CLAIM THAT SECRETARY OF PETROLEUM HAS PUBLICLY SO STATED.) ALTHOUGH MAGCOBAR DOES NOT WISH AT THIS STAGE TO CALL ON ITS OIL-COMPANY CUSTOMERS FOR AID, WE ARE SUGGESTING PRIVATELY TO AMERICAN OIL COMPANY EXECUTIVES THAT THEY SEEK TO GET NEWS THROUGH TO SECRETARY OF PETROLEUM THAT THE SECTOR HAS BECOME INVOLVED.

4. WE ARE INFORMED ALSO THAT BAROID OF LIBYA, 49 PERCENT OWNED BY NATIONAL WEAD COMPANY, HAS BEEN SEIZED BY "A LABOR-UNION GROUP." WE DO NOT YET HAVE DETAILS BUT EXPECT TO GET THEM FROM COMPANY MANAGER SEPTEMBER 10.

5. COMMENT: SEIZURE OF MAGCOBAR AND BARIOID OCCURS IN CONTEXT OF QADHAFI'S STEPPED-UP DRIVE TO IMPLEMENT THIS ELEMENT OF HIS GREEN BOOK, AND OF CLAIMS BY GOVERNMENT MEDIA THAT WORKERS HAVE SEIZED MANY PLANTS SINCE COLONEL'S 1 SEPTEMBER SPEECH. TO THIS POINT, OIL-INDUSTRY ENTERPRISES APPEAR TO HAVE BEEN MOSTLY LEFT ALONE, ALTHOUGH THERE ARE REPORTS THAT THE AMMONIA-METHANOL PLANT AT MARSA BREGA HAS BEEN SEIZED AND THERE ARE REPORTS OF INCREASED WORKER AGITATION IN OTHER COMPANIES. THE FULL SIGNIFICANCE OF THE WORKER SEIZURES REMAINS TO BE SEEN. FOR COMPANIES ALREADY OWNED BY THE GOVERNMENT, THE MAIN QUESTION IS HOW

THE WORKERS WILL DIVIDE THE PROFITS, OR REVENUES, OR ASSETS OF THE ENTERPRISES AMONG THEMSELVES. THE COLONEL HAS LEFT IT ALTOGETHER UNCLEAR HOW THIS SHOULD DEVELOP, AND THAT IS PERHAPS ANOTHER

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LESSON FOR ANOTHER DAY, OR PERHAPS EACH COMMITTEE WILL GO ITS OWN WAY. IN THE CASE OF PRIVATELY OR PARTIALLY PRIVATELY OWNED FIRMS, SEIZURES, IF NOT REVERSED, LOOK LIKE EXPROPRIATIONS OF THE PRIVATE INTEREST. IF SO, IT REMAINS TO BE SEEN WHO IS LIABLE FOR COMPENSATION AND WHETHER EXPROPRIATED FOREIGN FIRMS WILL BE INTERESTED IN CONTINUING TO DO BUSINESS HERE UNDER NEW FORMS OF ORGANIZATIONS, ASSOCIATION, CONTRACTS, ETCETERA.

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